

MT LEGISLATIVE HISTORY

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Chapter 613 1987

Bill H 436 S _____

Original bill & hist. C

H. Committee on Taxation

S. Committee on Taxation

Hearing Date(s) _____ C

Hearing Date(s) _____ C

2/11 ✓

4/11 ✓C

3/19 ✓

_____ C

Appropriations ★ 3/27 ✓

_____ C

Date Out 2/11 / 3/27 ✓

4/11 ✓C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

MONTANA STATE SENATE

TAXATION COMMITTEE

50TH LEGISLATURE

COMMITTEE MEMBERS: Senator George McCallum, Chairman
 Senator Mike Halligan, V. Chairman
 Senator Al Bishop
 Senator Bob Brown
 Senator Bruce Crippen
 Senator Dorothy Eck
 Senator Tom Hager
 Senator Les Hirsch
 Senator Ray Lybeck
 Senator Joe Mazurek
 Senator Ted Neuman
 Senator Elmer Severson

STAFF ATTORNEY: Jim Lear

COMMITTEE SECRETARY: Aggie Hamilton

BOOK: 1 of 3

INCLUSIVE DATES: January 6 - February 25, 1987

--BILL NO--	--REFER DATE--	--HEARING DATE--	--CONSIDERATION DATES--	COMMITTEE ACTION	--REFERRER TO COMM--	DATE OUT
✓ HB0436	4/10	4/11		CONCUR		4/11
RAMIREZ, JACK				REVALUE PROPERTY ANNUALLY FROM ON-SITE APPRAISAL OF 20% OF TAXABLE PROPERTY		
HB0457	2/16	3/23		CONCUR		3/27
BROWN, JAN				PAYMENT OF CURRENT AND PREVIOUS YEARS TAX OR FEE PRIOR TO REGISTRATION		
HB0512	3/16	3/24		CONCUR		3/24
REAM, BOB				IMPOSING A FEE IN LIEU OF TAX ON AIRCRAFT; EXEMPTING AIRCRAFT FROM PROP. TAX		
HB0513	2/19	3/19		CONCUR		3/19
DAILY, FRITZ				ALLOW PROCEEDS OF DISPUTED MINES TAX TO BE USED TO SECURE LOCAL BOND ISSUES		
HB0539	3/02	3/20		TABLED 4/6		
HOFFMAN, BOB				REVISING PROCEDURES FOR TAKING A TAX DEED FOR DELINQUENT PROPERTY TAXES		
HB0565	2/23	3/21		ADVERSE REPORT		3/24
PISTORIA, PAUL				NONEXEMPT STATUS FOR PRIVATE VEHICLES OPERATED FOR PROFIT & USED BY SCHOOL		
HB0583	3/04	3/20	3/24, 3/25	CONCUR AS AMENDED		3/27
DONALDSON, GENE				CONTINUE TO FUND PSC BY UTILITY FEES		
HB0606	3/04	3/23		CONCUR AS AMENDED		3/24
GLASER, BILL				CERTAIN LAND HELD BY COOPERATIVE ASSOCIATIONS IS TAX EXEMPT		
HB0617	3/23	3/30		CONCUR		3/30
VINCENT, JOHN				REVISING MARKET VALUE THRESHOLD FOR LOW-INCOME PROPERTY TAX RELIEF		
HB0634	2/21	3/21		ADVERSE REPORT		3/27
ELLISON, ORVAL				PROOF OF PERSONAL TAX PAYMENT FOR ISSUANCE OF SPECIAL MOBILE EQUIPMENT PLATE		
HB0658	3/21	3/26		CONCUR		3/27
MENAHAN, RED				PROVIDE FEE IN LIEU OF TAX FOR MOTORBOATS AND SAILBOATS 12 FEET OR LONGER		

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 11, 1987

The sixty-third meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on April 11, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 436: Representative Ramirez, House District 87, presented this bill to the committee. He said this is a bill that would require the Department to do a sales assessment ratio study for real property every year and then adjust the appraised values of all real property in the state on an annual basis based upon the sales assessment ratio study. The bill divides the state into different areas where the property is likely to go up or down. The sales assessment study would be done through realty transfer certificates. If they didn't have realty transfer certificates they would do actual appraisals or maybe contract out appraisals. What is more than likely to happen in the first adjustment period is that everything is likely to go down. We need to think what the impact would be and perhaps what we would need to do to compensate for that. In 1988 we would do the sales assessment study and the adjustment would come in 1989. If we made the adjustment every year, we may not have to adjust the taxable rate at all.

PROPOSERS: John LaFaver, Department of Revenue, gave testimony in support of this bill. There have been a number of vehicles in that would attempt to deal with this subject. Probably the most serious problem of property reappraisal is that it comes so seldom that no matter if values are changing, even moderately, over a period of years you will have a substantial change in values that can impact an individual taxpayer and counties and cities. If, on the other hand, you employ a mechanism similar to this bill, those changes are made in small increments every year and the changes are not felt so heavily. This bill is probably the most workable of the alternatives that have been presented.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Eck asked John LaFaver for a simple explanation of the process.

John LaFaver said you would do what is essentially done now. You would appraise one-fifth of the parcels and based on the answers that you receive from the appraisal, you would change the appraised value on everyone.

Senator McCallum said you would do this every year during the five year cycle.

John LaFaver said the appraisal would be done on different pieces of property each year so that at the end of the five years you would have done a specific reappraisal on each parcel. The first time this happens, unless the values turn around, there will likely be a lowering of appraised values and there is nothing to offset that.

Senator Eck asked what happened to Senator Boylan's bill.

Representative Ramirez said it was tabled. The committee felt this bill would do the same thing in some ways.

Senator Eck said this would not be done until the tax year 1989.

Representative Ramirez said you have to make a comparison so you are working with 3 years. You would take 1987 as the base year, do the sales assessment study in 1988 and get the percentage of change and apply that percentage in 1989.

Senator Lybeck said you haven't signed the fiscal note.

Representative Ramirez said it is my policy to never sign the fiscal note. This one is actually wrong because this is the original note and we have reduced this substantially with amendments in the House. It would be something closer to \$300,000 a year.

Senator Crippen would like to comment about the decrease that might happen. This will affect land and land is the one that had the change in values. On the other hand there doesn't seem to be concern for the tremendous increase that we have experienced in the appraisal cycle from 1985 to 1986. There is nothing to offset this.

Representative Ramirez said there will be an impact on more than just land. He thinks the appraised values of homes is down 15% to 20%.

Senator Crippen said if you are going to do this for 1988, that gives us another year. We may have economy that will bring that up, maybe the decrease won't be so drastic.

Representative Ramirez closed by stating it is extremely important to try to do something to get real property adjusted annually. This would help alleviate the problems we have had with the reappraisal process.

CONSIDERATION OF HB 816: Representative Asay, House District 27, presented this bill to the committee. This bill is an attempt to devise a system or method for the Department of Revenue to assess industries that deal with agriculture products that have closed down and are presently not operating. The original form of the bill provided a formula that didn't work and the fiscal note is in relation to the original language. This gives the Department of Revenue the authority to assess the value of this property in a manner that would be consistent with the fact that the operation is producing no income. To do that the language that applies to the new and expanding industries was broadened to include industries that have changed hands in an arm's-length transaction. This deals with an industry that is down with the hope of trying to encourage it to revive.

PROPONENTS: None.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Hirsch asked Representative Asay why would we want to put in (II) on page 1, line 25, the original owner may want to start it up again and why wouldn't we want to treat them the same.

Representative Asay said under that definition they can if they have been closed down for 12 months.

Senator Mazurek said a plant that has been out of production for 12 months will automatically get a 25% reduction in their assessed value each year they are out of production. He asked Representative Asay why the mandatory 25% reduction.

Representative Asay said primarily because it is non-producing property and to try to encourage that the equipment be left in place and to possibly go back into production in the near future.

Senator Mazurek made a motion to adopt amendment #7.
The motion carried.

Senator Gage said amendments 9 and 10 go together and strike that whole area in the bill. Those sections are coordination instruction.

Senator Mazurek said if SB 66 is signed by the Governor, how does this affect that.

Senator Gage said if this bill goes through, SB 66 just dealt with the definition of new production, which is also in this bill. He suggested that amendments numbered 9, 10 and 11 be left and if they are needed he can propose them on the Senate floor.

Senator Gage said if the committee does not want to adopt amendment #13 then they should consider the amendment at the bottom of his explanation, amendment numbered 14.

Senator Halligan would move that amendment number 14 be adopted. The motion carried.

Senator Bishop made a motion that HB 776 BE CONCURRED IN AS AMENDED. The motion carried 7-5, see attached roll call vote.

Senator Lybeck asked if it was possible to get a fiscal note on this with the action that was taken today.

Senator Gage said there is less fiscal impact with the bill as amended than with the original fiscal note.

DISPOSITION OF HB 436: Senator Mazurek made a motion that HB 436 BE CONCURRED IN. The motion carried.

DISPOSITION OF HB 906: Senator Eck would move that the bill be adopted as is, with the formula dollar-for-dollar, but on the second year that we start moving into the formula that is provided in SB 395.

Senator Hirsch said it really doesn't make any difference. If the sales tax is approved and goes into effect, the legislature will meet once more to change that formula.

Senator Eck withdrew her motion.

Senator Mazurek said we are required to make a specific response to I-105 and that needs to be put in this bill. He would move the whereas clauses that were put into SB 310 in response to I-105 be inserted into HB 906.

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 4-11-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

STANDING COMMITTEE REPORT

April 11

19 37

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 436

third reading copy (blue)
color

RAMIREZ (CRIPPEN)

**REVALUE PROPERTY ANNUALLY FROM ON-SITE APPRAISAL OF
203 OF TAXABLE PROPERTY**

Respectfully report as follows: That HOUSE BILL No. 436

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM, Chairman.

HOUSE BILL NO. 436

INTRODUCED BY RAMIREZ, CRIPPEN, HOFFMAN, RANEY, BISHOP

IN THE HOUSE

JANUARY 24, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
MARCH 19, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 20, 1987	PRINTING REPORT.
MARCH 24, 1987	SECOND READING, DO PASS. ENGROSSING REPORT.
MARCH 25, 1987	ON MOTION, TAKEN FROM THIRD READING AND REREFERRED TO COMMITTEE ON APPROPRIATIONS.
MARCH 27, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 28, 1987	PRINTING REPORT.
MARCH 31, 1987	SECOND READING, DO PASS.
APRIL 1, 1987	ENGROSSING REPORT. THIRD READING, PASSED. AYES, 92; NOES, 3. TRANSMITTED TO SENATE.

IN THE SENATE

APRIL 9, 1987	ON MOTION, RULES SUSPENDED TO ALLOW RECEIPT OF HB NO. 436.
APRIL 10, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
APRIL 11, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.

APRIL 14, 1987

SECOND READING, CONCURRED IN.

ON MOTION, RULES SUSPENDED TO PLACE
BILL ON THIRD READING THE 83RD
LEGISLATIVE DAY.

THIRD READING, CONCURRED IN.
AYES, 49; NOES, 1.

RETURNED TO HOUSE.

IN THE HOUSE

APRIL 15, 1987

RECEIVED FROM SENATE.

SENT TO ENROLLING.

1 other improvements in which they are located. In no event
2 may the sewage disposal or domestic water supply systems be
3 included twice by including them in the valuation and
4 assessing them separately."

5 Section 2. Section 15-7-111, MCA, is amended to read:

6 "15-7-111. Periodic revaluation of taxable property by
7 on-site appraisal -- valuation by representative sample.

8 (1) The department of revenue shall administer and
9 supervise a program for the revaluation of all taxable
10 property within the state by on-site appraisal at least
11 every 5 years. A comprehensive written plan of rotation
12 shall be promulgated by the department fixing the order of
13 revaluation of property in each county by on-site appraisal
14 on the basis of the last revaluation of taxable property in
15 each county prior to July 17, 1974, in order to adjust the
16 disparities therein between the counties a typical
17 cross-section of the type and quality of property in each
18 class of property throughout the state to be used as a
19 representative sample. The plan of rotation so adopted
20 shall provide that all property in each county shall be
21 revalued by on-site appraisal at least every 5 years or that
22 no less than 20% of the property in each county shall be
23 revalued by on-site appraisal in each year. The department
24 shall furnish a copy of the plan and all amendments thereto
25 to each county assessor and the board of county

1 commissioners in each county.

2 (2) Based on the percentage change in value of
3 property within a class as determined by the on-site
4 appraisal performed by the department in the previous year
5 under subsection (1), the department shall revalue the
6 remainder of the property within the state for the year.
7 Under this method all taxable property is considered
8 revalued for each tax year based on the representative
9 sample produced in the preceding year.

10 (3) The department shall fulfill its responsibility to
11 equalize property values throughout the state by making
12 percentage adjustments to the valuations that are based on
13 the representative sample in order to offset unique factors
14 affecting values in a community that are not considered in
15 the representative sample compiled by on-site appraisal."

16 NEW SECTION. Section 3. Extension of authority. Any
17 existing authority of the department of revenue to make
18 rules on the subject of the provisions of this act is
19 extended to the provisions of this act.

20 NEW SECTION. Section 4. Effective date --
21 applicability. (1) This act is effective on passage and
22 approval.

23 (2) This act applies to taxable years beginning after
24 December 31, 1987, but does not alter the requirement of the
25 department of revenue to reappraise 20% of the property in

LC 0316/01

1 the state in 1987. That reappraisal is the representative
2 sample for new taxable values for all affected property to
3 be placed on the assessment rolls on January 1, 1988, in
4 accordance with this act.

-End-

HOUSE BILL NO. 436

INTRODUCED BY RAMIREZ, CRIPPEN, HOFFMAN, RANEY, BISHOP

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING ON-SITE APPRAISALS--OF--20--PERCENT--OF--THE--STATE'S--TAXABLE--PROPERTY EACH-YEAR--AND--ANNUAL-REVALUATIONS-OF--THE-REMAINDER-BASED--ON ON-SITE---APPRAISALS---AS---A---REPRESENTATIVE--SAMPLE--FOR DETERMINING-PERCENTAGE-INCREASES-OR--DECREASES--FOR--SIMILAR PROPERTY THE DEPARTMENT OF REVENUE TO CONDUCT A SALES ASSESSMENT RATIO STUDY FOR THE PURPOSE OF ANNUALLY DETERMINING THE CORRECT ASSESSMENT LEVEL FOR SIMILAR PROPERTY LOCATED IN SPECIFIC AREAS OF THE STATE OF MONTANA; AMENDING SECTIONS 15-1-101, 15-7-102, 15-7-103, AND 15-7-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

SECTION 1. SECTION 15-1-101, MCA, IS AMENDED TO READ:

"15-1-101. Definitions. (1) Except as otherwise specifically provided, when terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "agricultural" refers to the raising of livestock, poultry, bees, and other species of domestic animals and wildlife in domestication or a captive

environment, and the raising of field crops, fruit, and other animal and vegetable matter for food or fiber.

(b) The term "assessed value" means the value of property as defined in 15-8-111.

(c) The term "average wholesale value" means the value to a dealer prior to reconditioning and profit margin shown in national appraisal guides and manuals or the valuation schedules of the department of revenue.

(d) (i) The term "commercial", when used to describe property, means any property used or owned by a business, a trade, or a nonprofit corporation as defined in 35-2-102 or used for the production of income, except that property described in subsection (ii).

(ii) The following types of property are not commercial:

(A) agricultural lands;

(B) timberlands;

(C) single-family residences and ancillary improvements and improvements necessary to the function of a bona fide farm, ranch, or stock operation;

(D) mobile homes used exclusively as a residence except when held by a distributor or dealer of trailers or mobile homes as his stock in trade;

(E) all property described in 15-6-135;

(F) all property described in 15-6-136; and

1 (G) all property described in 15-6-146.

2 (e) The term "comparable property" means property that
3 has similar use, function, and utility; that is influenced
4 by the same set of economic trends and physical,
5 governmental, and social factors; and that has the potential
6 of a similar highest and best use.

7 (f) The term "credit" means solvent debts, secured or
8 unsecured, owing to a person.

9 (g) The term "improvements" includes all buildings,
10 structures, fences, and improvements situated upon, erected
11 upon, or affixed to land. When the department of revenue or
12 its agent determines that the permanency of location of a
13 mobile home or housetrailer has been established, the mobile
14 home or housetrailer is presumed to be an improvement to
15 real property. A mobile home or housetrailer may be
16 determined to be permanently located only when it is
17 attached to a foundation which cannot feasibly be relocated
18 and only when the wheels are removed.

19 (h) The term "leasehold improvements" means
20 improvements to mobile homes and mobile homes located on
21 land owned by another person. This property is assessed
22 under the appropriate classification and the taxes are due
23 and payable in two payments as provided in 15-24-202.
24 Delinquent taxes on such leasehold improvements are a lien
25 only on such leasehold improvements.

1 (i) The term "livestock" means cattle, sheep, swine,
2 goats, horses, mules, and asses.

3 (j) The term "mobile home" means forms of housing
4 known as "trailers", "housetrainers", or "trailer coaches"
5 exceeding 8 feet in width or 45 feet in length, designed to
6 be moved from one place to another by an independent power
7 connected to them, or any "trailer", "housetrailer", or
8 "trailer coach" up to 8 feet in width or 45 feet in length
9 used as a principal residence.

10 (k) The term "personal property" includes everything
11 that is the subject of ownership but that is not included
12 within the meaning of the terms "real estate" and
13 "improvements".

14 (l) The term "poultry" includes all chickens, turkeys,
15 geese, ducks, and other birds raised in domestication to
16 produce food or feathers.

17 (m) The term "property" includes moneys, credits,
18 bonds, stocks, franchises, and all other matters and things,
19 real, personal, and mixed, capable of private ownership.
20 This definition must not be construed to authorize the
21 taxation of the stocks of any company or corporation when
22 the property of such company or corporation represented by
23 the stocks is within the state and has been taxed.

24 (n) The term "real estate" includes:

25 (i) the possession of, claim to, ownership of, or

1 right to the possession of land;

2 (ii) all mines, minerals, and quarries in and under the
3 land subject to the provisions of 15-23-501 and Title 15,
4 chapter 23, part 8; all timber belonging to individuals or
5 corporations growing or being on the lands of the United
6 States; and all rights and privileges appertaining thereto.

7 (c) The term "taxable value" means the percentage of
8 market or assessed value as provided for in 15-6-131 through
9 15-6-140.

10 (p) The term "weighted mean assessment ratio" means
11 the total of the assessed values divided by the total of the
12 selling prices of all area sales in the stratum.

13 (2) The phrase "municipal corporation" or
14 "municipality" or "taxing unit" shall be deemed to include a
15 county, city, incorporated town, township, school district,
16 irrigation district, drainage district, or any person,
17 persons, or organized body authorized by law to establish
18 tax levies for the purpose of raising public revenue.

19 (3) The term "state board" or "board" when used
20 without other qualification shall mean the state tax appeal
21 board."

22 SECTION 2. SECTION 15-7-102, MCA, IS AMENDED TO READ:

23 "15-7-102. Notice of classification and appraisal to
24 owners -- appeals. (1) It shall be the duty of the
25 department of revenue to cause to be mailed to each owner

1 and purchaser under contract for deed a notice of the
2 classification of the land owned or being purchased by him
3 and the appraisal of the improvements thereon only if one or
4 more of the following changes pertaining to the land or
5 improvements have been made since the last notice:

6 (a) change in ownership;

7 (b) change in classification;

8 (c) change in valuation; or

9 (d) addition or subtraction of personal property
10 affixed to the land.

11 (2) The notice of classification and appraisal
12 provided by the department under subsection (1) must be on
13 a standardized form adopted by the department containing
14 sufficient information in a comprehensible manner designed
15 to fully inform the taxpayer as to the classification and
16 appraisal of his property and of changes over the prior tax
17 year.

18 (3) If the owner of any land and improvements is
19 dissatisfied with the appraisal or classification of his
20 land or improvements, he may submit his objection in writing
21 to the department's agent. The department shall give
22 reasonable notice to such taxpayer of the time and place of
23 hearing and hear any testimony or other evidence which the
24 taxpayer may desire to produce at such time and afford the
25 opportunity to other interested persons to produce evidence

at such hearing. Thereafter, the department shall determine the true and correct appraisal and classification of such land or improvements and forthwith notify the taxpayer of its determination. In the notification, the department must state its reasons for revising the classification or appraisal. When so determined, the land shall be classified and improvements appraised in the manner ordered by the department.

(4) Whether a hearing as provided in subsection (3) is held or not, the department or its agent may not adjust an appraisal or classification upon taxpayer's objection unless:

(a) the taxpayer has submitted his objection in writing; and

(b) the department or its agent has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. Each county appraiser shall make such records available for inspection during regular office hours.

(6) If any property owner shall feel aggrieved at the classification and/or the appraisal so made by the department, he shall have the right to appeal to the county

tax appeal board and then to the state tax appeal board, whose findings shall be final subject to the right of review in the proper court or courts. WHILE THE PROPERTY OWNER MAY APPEAL THE BASE YEAR VALUATION AND CLASSIFICATION DETERMINATION, THE PROPERTY OWNER MAY NOT APPEAL THE YEARLY PERCENTAGE ADJUSTMENTS THAT ARE SPECIFIED IN 15-7-111 AND THAT MAY BE MADE AS A RESULT OF THE SALES ASSESSMENT RATIO STUDY. THE PROPERTY OWNER MAY NOT APPEAL THE STRATUM OR AREA DESIGNATIONS AS SPECIFIED IN 15-7-111."

Section 3. Section 15-7-103, MCA, is amended to read:

"15-7-103. Classification and appraisal -- general and uniform methods. (1) It is the duty of the department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing:

(a) for a general and uniform method of classifying lands in the state for the purpose of securing an equitable and uniform basis of assessment of said lands for taxation purposes;

(b) for a general and uniform method of appraising city and town lots;

(c) for a general and uniform method of appraising rural and urban improvements;

(d) for a general and uniform method of appraising timberlands.

(2) All lands shall be classified according to their

1 use or uses and graded within each class according to soil
2 and productive capacity. In such classification work, use
3 shall be made of soil surveys and maps and all other
4 pertinent available information.

5 (3) All lands must be classified by parcels or
6 subdivisions not exceeding 1 section each, by the sections,
7 fractional sections, or lots of all tracts of land that have
8 been sectionized by the United States government, or by
9 metes and bounds, whichever yields a true description of the
10 land.

11 (4) All agricultural lands must be classified and
12 appraised as agricultural lands without regard to the best
13 and highest value use of adjacent or neighboring lands.

14 ~~(5) In any periodic revaluation of taxable property~~
15 ~~completed under the provisions of 15-7-111 after January 1,~~
16 ~~1979, all property classified in 15-6-134 must be appraised~~
17 ~~on its market value in the same year. The department must~~
18 ~~publish a rule specifying the year used in the appraisal.~~

19 (5) IN ANY PERIODIC REVALUATION OF TAXABLE PROPERTY
20 COMPLETED UNDER THE PROVISIONS OF 15-7-111 AFTER JANUARY 1,
21 1986, ALL PROPERTY CLASSIFIED IN 15-6-134 MUST BE APPRAISED
22 ON ITS MARKET VALUE IN THE SAME YEAR. THE DEPARTMENT SHALL
23 PUBLISH A RULE SPECIFYING THE YEAR USED IN THE APPRAISAL.

24 ~~(6)(5)(6)~~ All sewage disposal systems and domestic use
25 water supply systems of all dwellings may not be appraised,

1 assessed, and taxed separately from the land, house, or
2 other improvements in which they are located. In no event
3 may the sewage disposal or domestic water supply systems be
4 included twice by including them in the valuation and
5 assessing them separately."

6 Section 4. Section 15-7-111, MCA, is amended to read:

7 "15-7-111. Periodic revaluation of taxable property by
8 on-site appraisal ~~valuation by representative sample.~~

9 (1) The department of revenue shall administer and
10 supervise a program for the revaluation of all taxable
11 property within the state by on-site appraisal at least
12 every 5 years. A comprehensive written REAPPRAISAL plan of
13 rotation shall be promulgated by the department ~~fixing the~~
14 ~~order of revaluation of property in each county by on-site~~
15 ~~appraisal on the basis of the last revaluation of taxable~~
16 ~~property in each county prior to July 1, 1974, in order to~~
17 ~~adjust the disparities therein between the counties a~~
18 ~~typical cross section of the type and quality of property in~~
19 ~~each class of property throughout the state to be used as a~~
20 ~~representative sample.~~ The REAPPRAISAL plan of rotation so
21 adopted shall provide that all property in each county shall
22 be revalued by on-site appraisal at least every 5 years or
23 that no less than 20% of the property in each county shall
24 be revalued ~~by on-site appraisal~~ in each year. The
25 department shall furnish a copy of the plan and all

amendments thereto to each county assessor and the board of county commissioners in each county.

(2) ~~Based on the percentage change in value of property within a class as determined by the on site appraisal performed by the department in the previous year under subsection (1), the department shall revalue the remainder of the property within the state each year. Under this method all taxable property is considered revalued for each tax year based on the representative sample produced in the preceding year.~~

~~(3) The department shall fulfill its responsibility to equalize property values throughout the state by making percentage adjustments to the valuations that are based on the representative sample in order to offset unique factors affecting values in a community that are not considered in the representative sample compiled by on-site appraisal. FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1988, AND FOR EVERY TAXABLE YEAR THEREAFTER, THE DEPARTMENT SHALL CONDUCT A STRATIFIED SALES ASSESSMENT RATIO STUDY OF ALL RESIDENTIAL REAL PROPERTY AND IMPROVEMENTS, OF ALL COMMERCIAL AND INDUSTRIAL REAL PROPERTY AND IMPROVEMENTS, AND OF ALL OTHER REAL PROPERTY AND IMPROVEMENTS. THE STUDY MUST INCLUDE SUCH PROPERTY AS VACANT LAND, AGRICULTURAL IMPROVEMENTS, AND THE 1-ACRE HOMESITE BENEATH THE AGRICULTURAL RESIDENCE.~~

(3) THE STUDY REQUIRED IN SUBSECTION (2) MUST BE BASED

ON:

(A) THE STANDARDS AND METHODOLOGY ADOPTED BY THE INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS IN THEIR PUBLICATION "STANDARD ON ASSESSMENT RATIO STUDIES";

(B) ASSESSMENTS OF THE PROPERTY DESCRIBED IN SUBSECTION (2) AS OF JANUARY 1 OF THE YEAR IMMEDIATELY PRECEDING THE TAXABLE YEAR FOR WHICH THE STUDY IS CONDUCTED;

(C) A STATISTICALLY VALID SAMPLE OF SALES, USING DATA FROM REALTY TRANSFER CERTIFICATES FILED FOR THE TAXABLE YEAR IMMEDIATELY FOLLOWING THE ASSESSMENT DATE IDENTIFIED IN SUBSECTION (3)(B); AND

(D) THE ASSESSMENTS AND SALES FOR AREAS OF THE STATE THAT ARE ECONOMICALLY, DEMOGRAPHICALLY, AND GEOGRAPHICALLY SIMILAR IN ORDER TO DETERMINE THE SALES ASSESSMENT RATIO FOR A SPECIFIC AREA.

(4) FOR PURPOSES OF CONDUCTING THE STUDY REQUIRED BY SUBSECTION (2), THE SALES ASSESSMENT AREAS ARE AS FOLLOWS:

(A) AREA 1:

(I) DANIELS COUNTY;

(II) SHERIDAN COUNTY;

(III) ROOSEVELT COUNTY;

(IV) MCCONE COUNTY;

(V) VALLEY COUNTY;

(VI) PHILLIPS COUNTY;

(VII) PETROLEUM COUNTY;

1 (VIII) GARFIELD COUNTY; AND
 2 (IX) PRAIRIE COUNTY;
 3 (B) AREA 2:
 4 (I) RICHLAND COUNTY;
 5 (II) DAWSON COUNTY;
 6 (III) WIBAUX COUNTY;
 7 (IV) FALLON COUNTY;
 8 (V) CARTER COUNTY;
 9 (VI) POWDER RIVER COUNTY;
 10 (VII) ROSEBUD COUNTY;
 11 (VIII) BIG HORN COUNTY; AND
 12 (IX) CUSTER COUNTY;
 13 (C) AREA 3: CITY OF BILLINGS;
 14 (D) AREA 4:
 15 (I) YELLOWSTONE COUNTY (EXCLUDING THE CITY OF
 16 BILLINGS);
 17 (II) TREASURE COUNTY;
 18 (III) MUSSELSHELL COUNTY;
 19 (IV) CARBON COUNTY; AND
 20 (V) STILLWATER COUNTY;
 21 (E) AREA 5:
 22 (I) GOLDEN VALLEY COUNTY;
 23 (II) WHEATLAND COUNTY;
 24 (III) FERGUS COUNTY;
 25 (IV) JUDITH BASIN COUNTY;

1 (V) MEAGHER COUNTY; AND
 2 (VI) SWEET GRASS COUNTY;
 3 (F) AREA 6:
 4 (I) PARK COUNTY;
 5 (II) GALLATIN COUNTY;
 6 (III) BROADWATER COUNTY; AND
 7 (IV) LEWIS AND CLARK COUNTY;
 8 (G) AREA 7: CITY OF GREAT FALLS;
 9 (H) AREA 8:
 10 (I) CASCADE COUNTY (EXCLUDING THE CITY OF GREAT
 11 FALLS);
 12 (II) CHOUTEAU COUNTY;
 13 (III) TETON COUNTY;
 14 (IV) HILL COUNTY;
 15 (V) LIBERTY COUNTY;
 16 (VI) TOOLE COUNTY;
 17 (VII) PONDERA COUNTY;
 18 (VIII) GLACIER COUNTY; AND
 19 (IX) BLAINE COUNTY;
 20 (I) AREA 9:
 21 (I) MADISON COUNTY;
 22 (II) BEAVERHEAD COUNTY;
 23 (III) SILVER BOW COUNTY;
 24 (IV) JEFFERSON COUNTY;
 25 (V) DEER LODGE COUNTY;

1 (VI) GRANITE COUNTY; AND
 2 (VII) POWELL COUNTY;
 3 (J) AREA 10: CITY OF MISSOULA;
 4 (K) AREA 11;
 5 (I) MISSOULA COUNTY (EXCLUDING THE CITY OF MISSOULA);
 6 AND
 7 (II) RAVALLI COUNTY;
 8 (L) AREA 12;
 9 (I) MINERAL COUNTY;
 10 (II) SANDERS COUNTY; AND
 11 (III) LINCOLN COUNTY;
 12 (M) AREA 13;
 13 (I) FLATHEAD COUNTY; AND
 14 (II) LAKE COUNTY.
 15 (5) THE DEPARTMENT SHALL USE THE FOLLOWING PROCEDURES
 16 TO RESOLVE SITUATIONS IN SIMILAR AREAS OF THE STATE THAT
 17 HAVE INADEQUATE NUMBERS OF SALES TO CONDUCT THE
 18 STATISTICALLY VALID SAMPLE IN A SPECIFIC TAX YEAR:
 19 (A) AN EXTENSION OF THE TIME PERIOD FROM WHICH SALES
 20 ARE DRAWN AND AN ADJUSTMENT OF THE SALES PRICE TO
 21 ACKNOWLEDGE THE DIFFERENT TIME PERIOD. AT A MINIMUM, THE
 22 TIME ADJUSTMENT MUST COINCIDE WITH THE CONSUMER PRICE INDEX
 23 FOR THAT SAME TIME PERIOD.
 24 (B) THE USE OF FEE APPRAISALS IN LIEU OF SALES PRICES.
 25 THE FEE APPRAISAL MUST BE CONDUCTED BY A CERTIFIED APPRAISER

1 WHO IS NOT AN EMPLOYEE OF THE DEPARTMENT.
 2 (C) THE INPUT OF ASSESSMENT RATIO STATISTICS DEVELOPED
 3 FROM A MODEL OF THE AREA. THE INFORMATION TO BE INPUT INTO
 4 THE STUDY MUST BE STATISTICALLY VALID AND MUST BE DEVELOPED
 5 BY A CERTIFIED STATISTICIAN WHO IS NOT AN EMPLOYEE OF THE
 6 DEPARTMENT.
 7 (6) THE DEPARTMENT SHALL USE THE FOLLOWING PROCEDURE
 8 TO VALIDATE SALES INFORMATION:
 9 (A) DEPARTMENT FIELD STAFF ARE REQUIRED TO MANUALLY
 10 REVIEW EACH SALES TRANSACTION EVIDENCED BY A REALTY TRANSFER
 11 CERTIFICATE. THE REVIEW MUST BE CONDUCTED TO DETERMINE
 12 WHETHER EACH SALE WAS A VALID, ARM'S-LENGTH TRANSACTION.
 13 ONLY VALID, ARM'S-LENGTH SALES MAY BE USED IN THE SALES
 14 ASSESSMENT RATIO STUDY.
 15 (B) THE VALID SALES INFORMATION MUST BE TRANSMITTED TO
 16 THE DEPARTMENT. THE DEPARTMENT STAFF SHALL ENTER THE SALES
 17 INFORMATION ON THE COMPUTER-ASSISTED APPRAISAL SYSTEM IN
 18 ORDER TO MAKE THE SALES ASSESSMENT RATIO STUDY. THE SALES
 19 INFORMATION CONTAINED ON THE COMPUTER-ASSISTED APPRAISAL
 20 SYSTEM IS CONSIDERED CONFIDENTIAL, AS PROVIDED IN 15-7-308.
 21 (C) THE DEPARTMENT SHALL EXCLUDE FROM THE SALES
 22 ASSESSMENT RATIO STUDY ANY PARCELS IN WHICH THE IMPROVEMENTS
 23 HAVE BEEN REMODELED, RECONSTRUCTED, OR EXPANDED OR THAT ARE
 24 WHOLLY NEW CONSTRUCTION AFTER THE ASSESSMENT DATE IDENTIFIED
 25 IN SUBSECTION (3)(B).

(D) THE DEPARTMENT SHALL EXCLUDE SALES ASSESSMENT RATIOS OF LESS THAN 50% OR GREATER THAN 200%.

(7) THE DEPARTMENT SHALL HAVE EQUALIZED PROPERTY VALUES THROUGHOUT THE STATE WHEN THE FOLLOWING CONDITIONS ARE MET:

(A) THE OVERALL ASSESSMENT LEVEL FOR EACH STRATUM WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) IS WITHIN AN INTERVAL OF PLUS OR MINUS 10% OF THE LEGAL LEVEL OF ASSESSMENT, GIVEN AN ADEQUATE SAMPLE SIZE;

(B) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE WEIGHTED MEAN ASSESSMENT RATIO FOR RESIDENTIAL PROPERTIES LOCATED WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) ARE EQUAL TO OR LESS THAN 20%;

(C) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE WEIGHTED MEAN ASSESSMENT RATIO FOR INCOME-PRODUCING PROPERTIES LOCATED WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) ARE EQUAL TO OR LESS THAN 20%; AND

(D) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE WEIGHTED MEAN ASSESSMENT RATIO FOR OTHER TYPES OF REAL PROPERTY AND IMPROVEMENTS LOCATED WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) ARE EQUAL TO OR LESS THAN 20%.

(8) (A) WHEN THE OVERALL ASSESSMENT LEVEL OF EACH STRATUM EXCEEDS 10% OF THE LEGAL LEVEL OF ASSESSMENT AND WHEN THE COEFFICIENTS OF DISPERSION WITH RESPECT TO THE WEIGHTED MEAN FOR EACH STRATUM EXCEED 20%, THE DEPARTMENT

SHALL MAKE PERCENTAGE ADJUSTMENTS TO THE VALUATIONS OF ALL THE PROPERTIES IN A SPECIFIC AREA STRATUM. THE PERCENTAGE ADJUSTMENTS MUST CREATE COMPLIANCE WITH SUBSECTION (7). THE PERCENTAGE ADJUSTMENTS MUST ACCOUNT FOR UNIQUE FACTORS THAT AFFECT VALUES IN THE VARIOUS AREAS.

(B) UNDER THIS METHOD, ALL TAXABLE PROPERTY IN EACH AREA IS CONSIDERED REVALUED FOR EACH TAX YEAR, BASED ON THE RESULTS OF THE SALES ASSESSMENT RATIO STUDY AND ANY PERCENTAGE ADJUSTMENTS REQUIRED BY THAT STUDY."

NEW SECTION. Section 5. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 6. Effective date -- applicability. (1) This act is effective on passage and approval.

(2) This act applies to taxable years beginning after December 31, 1987; ~~but does not alter the requirement of the department of revenue to reappraise 20% of the property in the state in 1987; that reappraisal is the representative sample for new taxable values for all affected property to be placed on the assessment rolls on January 1, 1988; in accordance with this act.~~

-End-

1 HOUSE BILL NO. 436

2 INTRODUCED BY RAMIREZ, CRIPPEN, HOFFMAN, KANEY, BISHOP

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING ON-SITE
5 APPRAISALS--OF--20--PERCENT--OF--THE--STATE'S--TAXABLE--PROPERTY
6 EACH--YEAR--AND--ANNUAL--REVALUATIONS--OF--THE--REMAINDER--BASED--ON
7 ON-SITE---APPRAISALS---AS---A---REPRESENTATIVE---SAMPLE---FOR
8 DETERMINING--PERCENTAGE--INCREASES--OR--DECREASES--FOR--SIMILAR
9 PROPERTY THE DEPARTMENT OF REVENUE TO CONDUCT A SALES
10 ASSESSMENT RATIO STUDY FOR THE PURPOSE OF ANNUALLY
11 DETERMINING THE CORRECT ASSESSMENT LEVEL FOR SIMILAR
12 PROPERTY LOCATED IN SPECIFIC AREAS OF THE STATE OF MONTANA;
13 AMENDING SECTIONS 15-1-101, 15-7-102, 15-7-103, AND
14 15-7-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND
15 AN APPLICABILITY DATE."

16
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

18 SECTION 1. SECTION 15-1-101, MCA, IS AMENDED TO READ:

19 "15-1-101. Definitions. (1) Except as otherwise
20 specifically provided, when terms mentioned in this section
21 are used in connection with taxation, they are defined in
22 the following manner:

23 (a) The term "agricultural" refers to the raising of
24 livestock, poultry, bees, and other species of domestic
25 animals and wildlife in domestication or a captive

THERE ARE NO CHANGES ON HB 436 AND DUE
TO LENGTH WILL NOT BE REPRINTED. PLEASE
REFER TO SECOND READING (SECOND PRINTING)
AND THIRD READING (SECOND READING) FOR
COMPLETE TEXT. HB 0436/03

50th LEGISLATIVE SESSION

TAXATION

COMMITTEE

HOUSE

HOUSE BILL NUMBER	ENTERED COM. DATE	DATE CON- SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON- CURRED IN DATE	BE NOT CON- CURRED IN DATE	BE CON- CURRED IN AMENDED DATE	BE NO CONCUR IN A AMEND DATE
337	1/21/87	2/11/87	2/11/87	tabled							
361	1/21/87	2/11/87		2/11/87							
369	1/21/87		1/29/87	tabled							
375	1/21/87	2/10/87	2/12/87	tabled							
377	1/21/87	2/4/87				3/19/87					
383	1/21/87	2/11/87	2/11/87	tabled							
384	1/21/87	2/11/87	2/11/87	tabled							
387	1/21/87	2/5/87				2/6/87					
395	1/22/87	2/16/87				3/19/87					
409	1/22/87	2/5/87		3/16/87							
412	1/23/87	2/11/87			2/20/87						
428	1/26/87	2/5/87		2/5/87							
436 ✓	1/26/87	2/11/87				3/19/87					
444	1/26/87	2/13/87	3/18/87	tabled							

Use a separate sheet for Senate Bills, House Bills, and Resolutions.

MINUTES OF THE MEETING
TAXATION COMMITTEE
HOUSE OF REPRESENTATIVES
50TH LEGISLATIVE SESSION

February 11, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez, on February 11, 1987, at 9 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Bohyer, Researcher, Legislative Council.

CONSIDERATION OF HOUSE BILL NO. 361: Rep. Jack Ramirez, House District #87, sponsor of HB 361, said the bill simply provides for a one year period to sort out new property tax valuations.

PROPOSERS OF HOUSE BILL NO. 361: Greg Groepper, Administrator, Property Assessment Division, DOR, told the Committee he supported the concept outlined in the bill.

Bob Holding, Montana Association of Realtors, said HB 361 is a very good bill, allowing the average taxpayer a chance to look at his or her tax situation and to appeal tax assessments, if necessary.

Dennis Burr, Montana Taxpayers Association, stated his support of the bill.

OPPOSERS OF HOUSE BILL NO. 361: There were no opposers of the bill.

QUESTIONS ON HOUSE BILL NO. 361: Rep. Patterson asked how many appeals were pending before the STAB right now. Greg Groepper replied 10,900 appeals had been filed and that an additional 3,000 appeals need to be heard at the county level. He said STAB has 21,000 appeals for this appraisal cycle, or approximately 2.2% of appraisals.

CLOSING ON HOUSE BILL NO. 361: Rep. Ramirez made no closing comments.

CONSIDERATION OF HOUSE BILL 436: Rep. Jack Ramirez, House District #87, sponsor of HB 436, said the bill is extremely important in that it provides for annual appraisals, rather than continue the five-year appraisal cycle. He explained that if the five-year cycle is continued, the state will eventually end up with lower and lower taxable percentage rates.

Rep. Ramirez advised that appraisals on personal property are completed on an annual basis, at about 4.5% of market

TAXATION COMMITTEE

February 11, 1987

Page 2

value, and that there is no balance between real and personal property taxes. He said the mechanics of the bill are flawed, but the general idea is sound, and that DOR could take agricultural and timber lands out and replace them with a sales assessment ratio study. Rep. Ramirez explained the bill prescribes a 10% decrease through a computer run, for a smaller decrease each year.

PROPOSERS OF HOUSE BILL NO. 436: Dennis Burr, Montana Taxpayers Association, said he would support the bill because it would keep assessed value closer to market value.

Bob Holding, Montana Association of Realtors, said he supported the concept of the bill because he believed it to be an important issue.

OPPOSERS OF HOUSE BILL NO. 436: Greg Groepper, DOR, told the Committee he could not support the bill as written, because of the expense involved, but that he was willing to work with Rep. Ramirez to revise the bill.

Don Judge, Montana AFL-CIO, said a problem exists in that no one knows what amendments will be placed on the bill, and read from a prepared statement in opposition to HB 436 (Exhibit #1). He stated that mortgage prices fluctuate constantly, and that he sees a problem for local governments, in the continuous turnover of assessments.

QUESTIONS ON HOUSE BILL NO. 436: Rep. Raney asked Greg Groepper to address the statements made by Don Judge. Mr. Groepper replied that Rep. Ramirez' concept would split the state into 4-6 market areas, as opposed to individual adjustments. He added that he suspected Mr. Judge was correct in estimating that the bottom could fall out of the market in several counties.

Rep. Raney asked if local governments could compensate for losses via mill levies. Mr. Groepper replied it would depend upon what the legislature does with I-105. Rep. Ramirez added that taxpayers have the right to have their property assessed at market value every year, but in his community, 1982 values aren't even close to what actual values are.

Rep. Williams asked if the bill would be applicable if the bill to put appraisals back in the counties were to pass. Rep. Ramirez replied that it probably could be done, but he did not believe county appraisals were realistic.

CLOSING ON HOUSE BILL NO. 436: Rep. Ramirez stated that if a property tax reduction measure for tax relief is passed and HB 436 does not pass, the resulting simplified system will get out of balance immediately.

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-11-87

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	-		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624
406/442-1708

HB

2-11-87
436

TESTIMONY OF DON JUDGE ON HB 436 BEFORE THE HOUSE TAXATION COMMITTEE
FEBRUARY 11, 1987

Chairman, my name is Don Judge and I am here today on behalf of the Montana State AFL-CIO to testify in opposition to HB 436.

This bill would require on-site appraisals of 20 percent of all property in classes 3, 4, 12, 13, and 14 annually. The property which is appraised annually will be used as a representative sample to assess the remaining 80 percent of property tax rates.

Chairman, our primary concern over this bill is the uncertainty it places on assessments of property tax values. With annual on-site reappraisals of properties throughout the state, taxable revenues may significantly decrease or increase depending on assessment values of representative samples.

Severe fluctuations in property tax revenues may occur. Should assessed values drop appreciably, local governments may find themselves without the monies necessary to operate vital community services.

Under the provisions of Initiative 105, state, county or local governments could be unable to recoup this revenue shortfall by increasing the taxable values of properties. It should also be noted that this 20 percent representative sample could result in a property tax increase for the remaining 80 percent of property taxpayers; which again violates the provisions of Initiative 105.

Currently, property is assessed every five years, which allows cities, towns, counties and school districts to more accurately predict or forecast taxable revenues. With annual reappraisals, the potential exists for instability in rates, uncertainties in revenues available and possible errors in forecasting budgets. Local policymakers need the stability in our current appraisal system to operate governments efficiently and provide vital community services.

Finally, this bill would needlessly cost the state general fund an additional \$40,000 to administer.

For these reasons, we urge you to oppose HB 436.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO.

HB 4/36

DATE _____

2-11-87

SPONSOR

RAMIREZ

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FC

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Chairman Ramirez made a substitute motion that 75 percent go to residential and business property tax reduction and that the balance go to the general fund. The motion CARRIED with all members voting aye, except Reps. Raney and Keenan, who voted no.

Chairman Ramirez advised he would save the remaining amendments and the statement of intent, (Exhibits #6 and #7), for debate on the House floor.

Chairman Ramirez made a motion that HB 377 DO PASS AS AMENDED. The motion CARRIED 9-7 (roll call vote attached).

Chairman Ramirez made a motion that the Statement of Intent for HB 377 be approved. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 436: Chairman Ramirez advised that the amendments prepared by DOR at his request, may present a disparity between property annualization and real property appraisal cycles. He explained that the last two cycles have experienced two large increases, and that the tax percentage rate was lowered to compensate. Chairman Ramirez stated that, if the tax percentage rate continues to be lowered, it will wipe out the tax base, and that the idea of the bill is to go to annual appraisals. He said DOR would do a sales assessment ratio study, to determine whether it is on target with the 4R's Act.

Chairman Ramirez said the amendment would take market samples of sales in a given area and would up them by the amount of increases and would be done without the expense of annual appraisals. He explained that the rate stays the same and would rely on mill levies, and that the lower rate cannot be kept, because of inflation. Chairman Ramirez stated that a surge in property values in one year, would allow mill levies to be adjusted downward, for class 4 property only.

Greg Groepper, Administrator, Property Assessment Division, DOR, said the Department is attempting to bring property closer to real values, in the most cost-effective manner, and on an annual basis. He explained the legislation is patterned after that of the State of Arizona, which each year, makes generalized adjustments until it gets to the end of an appraisal cycle. Mr. Groepper stated that, at that time, annual changes are made in appraised values, which he hoped would result in fewer appeals.

Chairman Ramirez stated the amendments are mostly technical language about statistically valid samples.

STANDING COMMITTEE REPORT

Page 1 of 10

MARCH 18

1937

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 436

☒ do pass

☐ do not pass

☐ be concurred in

☐ be not concurred in

☒ as amended

☐ statement of intent attached

Representative Jack Ramirez, Chairman

Be amended as follows:

1. Title, lines 4 through 9
Following: "REQUIRING" ON LINE 4
Strike: remainder of line 4 through "PROPERTY" on line 9
Insert: "THE DEPARTMENT OF REVENUE TO CONDUCT A SALES
ASSESSMENT RATIO STUDY FOR THE PURPOSE OF ANNUALLY
DETERMINING THE CORRECT ASSESSMENT LEVEL FOR SIMILAR
PROPERTY LOCATED IN SPECIFIC AREAS OF THE STATE OF
MONTANA"
2. Title, line 9
Following: "SECTIONS"
Insert: "15-1-101, 15-7-102,"
Following: "15-7-103"
Insert: ","
3. Page-1, line 14
Following: line 13
Insert: "Section 1. Section 15-1-101, MCA, is amended to
read:
"15-1-101. Definitions. (1) Except as otherwise
specifically provided, when terms mentioned in this
section are used in connection with taxation, they are
defined in the following manner:
(a) The term "agricultural" refers to the raising
of livestock, poultry, bees, and other species of
domestic animals and wildlife in domestication or a
captive environment, and the raising of field crops,
fruit, and other animal and vegetable matter for food
or fiber.
(b) The term "assessed value" means the value of
property as defined in 15-8-111.
(c) The term "average wholesale value" means the
value to a dealer prior to reconditioning and profit
margin shown in national appraisal guides and manuals

or the valuation schedules of the department of revenue.

(d) (i) The term "commercial", when used to describe property, means any property used or owned by a business, a trade, or a nonprofit corporation as defined in 35-2-102 or used for the production of income, except that property described in subsection (ii).

(ii) The following types of property are not commercial:

(A) agricultural lands;

(B) timberlands;

(C) single-family residences and ancillary improvements and improvements necessary to the function of a bona fide farm, ranch, or stock operation;

(D) mobile homes used exclusively as a residence except when held by a distributor or dealer of trailers or mobile homes as his stock in trade;

(E) all property described in 15-6-135;

(F) all property described in 15-6-136; and

(G) all property described in 15-6-146.

(e) The term "comparable property" means property that has similar use, function, and utility; that is influenced by the same set of economic trends and physical, governmental, and social factors; and that has the potential of a similar highest and best use.

(f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

(g) The term "improvements" includes all buildings, structures, fences, and improvements situated upon, erected upon, or affixed to land. When the department of revenue or its agent determines that the permanency of location of a mobile home or housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to real property. A mobile home or housetrailer may be determined to be permanently located only when it is attached to a foundation which cannot feasibly be relocated and only when the wheels are removed.

(h) The term "leasehold improvements" means improvements to mobile homes and mobile homes located on land owned by another person. This property is assessed under the appropriate classification and the taxes are due and payable in two payments as provided in 15-24-202. Delinquent taxes on such leasehold improvements are a lien only on such leasehold improvements.

(i) The term "livestock" means cattle, sheep,

Representative Jack Ramirez,
Chairman

swine, goats, horses, mules, and asses.

(j) The term "mobile home" means forms of housing known as "trailers", "housetrailers", or "trailer coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an independent power connected to them, or any "trailer", "house trailer", or "trailer coach" up to 8 feet in width or 45 feet in length used as a principal residence.

(k) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(l) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in domestication to produce food or feathers.

(m) The term "property" includes moneys, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition must not be construed to authorize the taxation of the stocks of any company or corporation when the property of such company or corporation represented by the stocks is within the state and has been taxed.

(n) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and Title 15, chapter 23, part 3; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto.

(o) The term "taxable value" means the percentage of market or assessed value as provided for in 15-6-131 through 15-6-140.

(p) The term "weighted mean assessment ratio" means the total of the assessed values divided by the total of the selling prices of all area sales in the stratum.

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" shall be deemed to include a county, city, incorporated town, township, school district, irrigation district, drainage district, or any person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification shall mean the state tax appeal board."

Representative Jack Ramirez,
Chairman

Section 2. Section 15-7-102, MCA, is amended to read:

"15-7-102. Notice of classification and appraisal to owners -- appeals. (1) It shall be the duty of the department of revenue to cause to be mailed to each owner and purchaser under contract for deed a notice of the classification of the land owned or being purchased by him and the appraisal of the improvements thereon only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

- (a) change in ownership;
- (b) change in classification;
- (c) change in valuation; or
- (d) addition or subtraction of personal property affixed to the land.

(2) The notice of classification and appraisal provided by the department under subsection (1) must be on a standardized form adopted by the department containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of his property and of changes over the prior tax year.

(3) If the owner of any land and improvements is dissatisfied with the appraisal or classification of his land or improvements, he may submit his objection in writing to the department's agent. The department shall give reasonable notice to such taxpayer of the time and place of hearing and hear any testimony or other evidence which the taxpayer may desire to produce at such time and afford the opportunity to other interested persons to produce evidence at such hearing. Thereafter, the department shall determine the true and correct appraisal and classification of such land or improvements and forthwith notify the taxpayer of its determination. In the notification, the department must state its reasons for revising the classification or appraisal. When so determined, the land shall be classified and improvements appraised in the manner ordered by the department.

(4) Whether a hearing as provided in subsection (3) is held or not, the department or its agent may not adjust an appraisal or classification upon taxpayer's objection unless:

- (a) the taxpayer has submitted his objection in writing; and
- (b) the department or its agent has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's

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notification to the taxpayer of its determination and the reason for that determination are public records. Each county appraiser shall make such records available for inspection during regular office hours.

(6) If any property owner shall feel aggrieved at the classification and/or the appraisal so made by the department, he shall have the right to appeal to the county tax appeal board and then to the state tax appeal board, whose findings shall be final subject to the right of review in the proper court or courts. While the property owner may appeal the base year valuation and classification determination, the property owner may not appeal the yearly percentage adjustments that are specified in 15-7-111 and that may be made as a result of the sales assessment ratio study. The property owner may not appeal the stratum or area designations as specified in 15-7-111."

Renumber: subsequent sections

4. Page 2, line 23.

Following: line 22

Insert: "(5) In any periodic revaluation of taxable property completed under the provisions of 15-7-111 after January 1, 1986, all property classified in 15-6-134 must be appraised on its market value in the same year. The department shall publish a rule specifying the year used in the appraisal."

Renumber: subsequent subsection

5. Page 3, lines 6 and 7

Following: "property" on line 6

Strike: remainder of line 6 through "sample" on line 7

6. Page 3, line 10

Following: "state"

Strike: "by on-site appraisal"

7. Page 3, line 11

Following: "written"

Insert: "reappraisal"

Following: "plan"

Strike: "of rotation"

8. Page 3, lines 12 through 19

Following: "department" on line 12

Strike: remainder of line 12 through "sample" on line 19

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9. Page 3, line 19
Following: "The"
Insert: "reappraisal"
Following: "plan"
Strike: "of rotation"

10. Page 3, line 21
Following: "revalued"
Strike: "by on-site appraisal"

11. Page 3, line 23
Following: "revalued"
Strike: "by on-site appraisal"

12. Page 3, line 25
Following: "to"
Strike: "each county assessor and"

13. Page 4, lines 2 through 15
Following: "(2)" on line 2
Strike: remainder of line 2 through line 15 in its entirety

Insert: "For the taxable year beginning January 1, 1988, and for every taxable year thereafter, the department shall conduct a stratified sales assessment ratio study of all residential real property and improvements, of all commercial and industrial real property and improvements, and of all other real property and improvements. The study must include such property as vacant land, agricultural improvements, and the 1-acre homesite beneath the agricultural residence.

(3) The study required in subsection (2) must be based on:

(a) the standards and methodology adopted by the international association of assessing officers in their publication "Standard on Assessment Ratio Studies";

(b) assessments of the property described in subsection (2) as of January 1 of the year immediately preceding the taxable year for which the study is conducted;

(c) a statistically valid sample of sales, using data from realty transfer certificates filed for the taxable year immediately following the assessment date identified in subsection (3)(b); and

(d) the assessments and sales for areas of the state that are economically, demographically, and geographically similar in order to determine the sales assessment ratio for a specific area.

(4) For purposes of conducting the study required by subsection (2), the sales assessment areas are as follows:

Representative Jack Ramirez,

- (a) area 1:
 - (i) Daniels County;
 - (ii) Sheridan County;
 - (iii) Roosevelt County;
 - (iv) McCone County;
 - (v) Valley County;
 - (vi) Phillips County;
 - (vii) Petroleum County;
 - (viii) Garfield County; and
 - (ix) Prairie County;
- (b) area 2:
 - (i) Richland County;
 - (ii) Dawson County;
 - (iii) Wibaux County;
 - (iv) Fallon County;
 - (v) Carter County;
 - (vi) Powder River County;
 - (vii) Rosebud County;
 - (viii) Big Horn County; and
 - (ix) Custer County;
- (c) area 3:
 - (i) city of Billings;
- (d) area 4:
 - (i) Yellowstone County (excluding the city of Billings);
 - (ii) Treasure County;
 - (iii) Musselshell County;
 - (iv) Carbon County; and
 - (v) Stillwater County;
- (e) area 5:
 - (i) Golden Valley County;
 - (ii) Wheatland County;
 - (iii) Fergus County;
 - (iv) Judith Basin County;
 - (v) Beagher County; and
 - (vi) Sweet Grass County;
- (f) area 6:
 - (i) Park County;
 - (ii) Gallatin County;
 - (iii) Broadwater County; and
 - (iv) Lewis and Clark County;
- (g) area 7:
 - (i) city of Great Falls;
- (h) area 8:
 - (i) Cascade County (excluding the city of Great Falls);
 - (ii) Chouteau County;
 - (iii) Teton County;
 - (iv) Hill County;

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- (v) Liberty County;
- (vi) Toole County;
- (vii) Pondera County;
- (viii) Glacier County; and
- (ix) Blaine County;
- (i) area 9:
 - (i) Madison County;
 - (ii) Beaverhead County;
 - (iii) Silver Bow County;
 - (iv) Jefferson County;
 - (v) Deer Lodge County;
 - (vi) Granite County; and
 - (vii) Powell County;
- (j) area 10:
 - (i) city of Missoula;
- (k) area 11:
 - (i) Missoula County (excluding the city of Missoula;
- (l) area 12:
 - (i) Mineral County;
 - (ii) Sanders County; and
 - (iii) Lincoln County;
- (m) area 13:
 - (i) Flathead County; and
 - (ii) Lake County.

(5) The department shall use the following procedures to resolve situations in similar areas of the state that have inadequate numbers of sales to conduct the statistically valid sample in a specific tax year:

(a) an extension of the time period from which sales are drawn and an adjustment of the sales price to acknowledge the different time period. At a minimum, the time adjustment must coincide with the consumer price index for that same time period.

(b) the use of fee appraisals in lieu of sales prices. The fee appraisal must be conducted by a certified appraiser who is not an employee of the department.

(c) the input of assessment ratio statistics developed from a model of the area. The information to be input into the study must be statistically valid and must be developed by a certified statistician who is not an employee of the department.

(6) The department shall use the following procedure to validate sales information:

(a) Department field staff are required to manually review each sales transaction evidenced by a

Representative Jack Ramirez.

realty transfer certificate. The review must be conducted to determine whether each sale was a valid, arms length transaction. Only valid, arm's-length sales may be used in the sales assessment ratio study.

(b) The valid sales information must be transmitted to the department. The department staff shall enter the sales information on the computer-assisted appraisal system in order to make the sales assessment ratio study. The sales information contained on the computer-assisted appraisal system is considered confidential, as provided in 15-7-308.

(c) The department shall exclude from the sales assessment ratio study any parcels in which the improvements have been remodeled, reconstructed, or expanded or that are wholly new construction after the assessment date identified in subsection (3)(b).

(d) The department shall exclude sales assessment ratios of less than 50% or greater than 200%.

(7) The department shall have equalized property values throughout the state when the following conditions are met:

(a) the overall assessment level for each stratum within each area identified in subsection 4 is within an interval of plus or minus 10% of the legal level of assessment, given an adequate sample size; and

(b) coefficients of dispersion with respect to the weighted mean assessment ratio for residential properties located within each area identified in subsection (4) are equal to or less than 20%;

(c) coefficients of dispersion with respect to the weighted mean assessment ratio for income-producing properties located within each area identified in subsection (4) are equal to or less than 20%;

(d) coefficients of dispersion with respect to the weighted mean assessment ratio for other types of real property and improvements located within each area identified in subsection (4) are equal to or less than 20%.

(8)(a) When the overall assessment level of each stratum exceeds 10% of the legal level of assessment and when the coefficients of dispersion with respect to the weighted mean for each stratum exceed 20%, the department shall make percentage adjustments to the valuations of all the properties in a specific area strata. The percentage adjustments must create

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compliance with subsection (7). The percentage adjustments must account for unique factors that affect values in the various areas.

(b) Under this method, all taxable property in each area is considered revalued for each tax year, based on the results of the sales assessment ratio study and any percentage adjustments required by that study."

14. Pages 4 and 5

Following: "1987" on line 24 of page 4

Strike: remainder of line 24 through "act" on page 5,
line 4

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Mr. Tom Staples, Montana International Trade Commission also voiced support for the bill because it is very difficult to travel around and extend courtesies to those we are trying to lure to Montana. You can't go very far on a \$12.95 dinner in Chicago. He felt it is addressing an age old problem in Montana that if we are going to be in the race for economic development in Montana, we have to have the tools to do it.

He also voiced support of HB 854.

EXECUTIVE ACTION:

HB 855: Rep. Bardanoue moved to DO PASS HB 855. Rep. Winslow stated that this action would be premature because of HB 862. Rep. Bardanoue withdrew his motion so that language could be added to allow the bills to go, provide for the monies in whatever other bill they have, and provide for the contingency that if they do not pass, these bills would cover that.

HB 436: Rep. Swift moved to include the amendment regarding Ravalli County (Exhibit 5). Rep. Connelly called the question. The motion CARRIED unanimously.

Rep. Bradley moved to DO PASS HB 436 and if passed, HB 436 will be revised per Exhibit 6. Rep. Menke called the question. Rep. Bardanoue voted NO. The motion CARRIED.

The meeting was adjourned until 12:45 p.m.

HB 898: Rep. Red Menahan, HD# 67 presented HB 898 to the committee saying the bill applies to Warm Springs. He pointed out there is an error on page 8, where the 6 is, it should read another column with present which is what they have today so there is no increase.

Rep. Nancy Keenan asked to be a proponent to the bill. Mr. Chisholm was present for questions.

HB 897:

Rep. Asay presented HB 897 to the committee saying the purpose is to try to bring to the attention of the educational community as well as the citizens in the state some of the very imaginative high technology for the delivery of education in the rural areas as well as at the high level of education and for administrative purposes.

PROPOSERS: Ron Lukenville, State Facilitator with the Office of Public Instruction said OPI is in support of the bill as a means of increasing the quality of instruction.

DAILY ROLL CALL

APPROPRIATIONS

COMMITTEE

50th LEGISLATIVE SESSION -- 1987 .

Date 3/27/87

NAME	PRESENT	ABSENT	EXTRA
DONALDSON, GENE Chairman	✓		
THOFT, REP. BOB Vice Chair	✓		
WINSLOW, REP. CAL	✓		
BARDANOUVE, FRANCIS	✓		
BRADLEY, DOROTHY	✓		
CONNELLY, MARY ELLEN	✓		
DEVLIN, GERRY	✓		
IVERSON, DENNIS		✓	
MANUEL, REX	✓		
MENAHAN, RED	✓		
MENKE, LARRY	✓		
MILLER, RON	✓		
NATHE, DENNIS	✓		
PECK, RAY	✓		
POULSEN, HAROLD	✓		
QUILICI, JOE	✓		
REHBERG, DENNIS	✓		
SPAETH, GARY	✓		
SWIFT, BERNIE	✓		
SWITZER, DEAN	✓		

DEPARTMENT OF REVENUE

DATE 3/27/87
HB 436

TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

March 26, 1987

TO: House Appropriations Committee

FROM: John D. LaFaver
Director

SUBJECT: House Bill 436

As we understand House Bill 436, the Department would sample sales of properties throughout the State of Montana in each given tax year. At the end of that tax year, the comparison of sales value to assessed value would be determined in each of the areas of the state. All properties within that area would be adjusted upward or downward to achieve an average market to assessed value of 100% for properties within that area.

Mechanically, what this means for the Department is that we will need to stay current on data processing throughout the year. Presently, property assessment data processing is halted for two to three months a year so all the income tax returns can be processed in a timely fashion. The fiscal note allows for a minimal increase in data processing support to ensure these records stay current.

Additionally, we will need two research statisticians to sample these numbers throughout the year if we are to generate a sales assessment ratio number and still meet the statutory deadline of sending out real property assessments by the second Monday in April.

The final cost involves mailing assessments on an annual basis. Since these adjustments would be made every year, this cost could be reduced somewhat if the sales to assessment ratio had to vary in excess of 5% or 10% before an adjustment was made. Clearly, given the decrease in value of most property since 1982, an adjustment would need to be made statewide the first year of implementation of this act. However, in subsequent years some money could be saved if the market to assessed value had not moved more than 5% or 10% from the previous year. That would save the mailing costs in any particular area where the market values remain static.

House Appropriations Committee
March 26, 1987
Page 2

The bulk of the language in this bill comes from the State of Arizona which has a valuation adjustment program that is driven largely by sales assessment ratio studies. The only unknown cost is how many of the appraisals will need to be done in areas where there are no sales. Clearly, in the first year of adjustment there should be sufficient sales in each of these areas to allow us to make the adjustment without having to do fee appraisals. However, from one year to the next, once the bill is operational, there may not be sufficient sales in an area to make the adjustment. An optional way of handling this is to provide no money for fee appraisals and have the Department request a supplemental appropriation in cases where it is determined there are not sufficient sales.

Finally, in the initial drafting of this bill, Ravalli County was left out. Ravalli County should go in the same area as Missoula County less the city of Missoula. A proposed amendment is attached that will resolve that situation.

JDL:cr

Attachment

AMENDMENTS TO HOUSE BILL 436

∴ Page 15, Line 4.
following: "Area 11:"
insert: "(I)"

∴ Page 15, Line 5.
following: "Missoula);"
Add: "and (II) Ravalli County;"

HB 436, Second Reading
Administrative Costs

Assumptions:

1. 524,600 properties to be valued.
2. Annual notification will be required for all properties.

Property Tax Division:

	<u>FY 88</u>	<u>FY 89</u>
** Install new values in county computers (52 FTE @ Grade 8 - Step 2 for 2 months)	\$144,560	\$144,560
** Implement trending program (1 Programmer Analyst @ Grade 14 - Step 3 for 1 month)	2,235	
** Recost property file (492,775 records -- 90% of file -- X .00187)	920	920
** Reprint cost sheets (492,775 X .35)	17,245	17,245
** Mail new cost sheets to counties	495	495
** Notification forms and postage (492,775 X .35)	172,470	172,470
Total Cost -- Property Tax (1)	337,925	337,925

(1) Excludes potential fee appraisal for area with insufficient sales. These cost could run as high as \$100,000. This cost can be either anticipated and added here, or the actual cost could be recovered through a supplemental appropriation.

Data Processing Division:

	<u>FY 88</u>	<u>FY 89</u>
.. Data Entry of RTC's	\$62,312	\$62,312
.. Workstations (2)	15,776	0
.. Maintenance for new workstations	1,056	1,056
.. Statisticians (2 Grade 15, Step 2)	60,536	60,536
.. Assistants for statisticians (2 Grade 8, Step 3 for 3 months)	9,184	9,184
.. Computer charges (\$1,000 per area)	13,000	13,000
.. Travel to Idaho for review of their system (2 FTE)	1,000	0
 Total Cost -- Data Processing	 162,864	 146,088
Total Cost to Agency	500,789	481,778